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THE EXCHANGE

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MAY, 1956

The Stock Market: How Stable?

Common Dividends Hit Record High

Precision—Automation—National Defense

A QUIZ GAME

SINCE the public's appetite for quiz games—and for the rewards promised contestants—seems insatiable, perhaps some television producers may be glad to appropriate the following question:

Name any four of the seven states which scored the largest gains — percentagewise — in the number of Stock Exchange member firm offices during the decade ended January 1, 1956?

Seven Leaders

The seven — as you probably didn't know—were Arizona, Idaho, Kansas, Montana, Nevada, New Hampshire and Washington.

In all, 18 states registered increases of 100 per cent or more in the number of member firm offices between 1946 and 1956.

California led all states in numerical growth of member firm offices during the last 10 years, gaining 113. New York was second, with a gain of 100 offices; Florida was third, with an increase of 46.

The number of Stock Exchange member firm offices in this country increased by 47 per cent to 2,070 in the past 10 years.

As the table shows, the gain in member firm offices outside of this country was even greater, proportionately, in the last decade. The increase in the number of foreign offices to 58 from 27 amounts to 115 per cent.

Distribution of Member Firm Offices

	1-1-46	1-1-56		1-1-46	1-1-56
Ala.	9	14	Nebr.	7	12
Ariz.	2	6	Nev.	1	3
Ark.	3	5	N. H.	3	9
Calif.	80	193	N. J.	37	61
Colo.	6	12	N. Mex.	1	2
Conn.	28	53	N. Y.	596	696
Del.	5	5	N. C.	17	28
Fla.	30	76	N. Dak.	2	3
Ga.	14	21	Ohio	43	68
Idaho	—	3	Okla.	8	10
Ill.	84	112	Oreg.	2	5
Ind.	16	21	Pa.	119	157
Iowa	21	27	R. I.	8	13
Kans.	3	10	S. C.	9	7
Ky.	8	14	S. Dak.	1	1
La.	7	11	Tenn.	12	19
Maine	8	16	Tex.	21	56
Md.	14	22	Utah	2	5
Mass.	63	82	Vt.	2	4
Mich.	29	45	Va.	14	22
Minn.	15	24	Wash.	4	12
Miss.	1	2	W. Va.	9	12
Mo.	21	39	Wis.	12	30
Mont.	1	5	D. C.	9	17
Hawaii				1	2
Puerto Rico				—	1
Argentina				2	2
Canada				10	13
Cuba				1	1
England				8	9
France				—	5
Holland				—	7
Monaco				—	1
Panama				—	1
Switzerland				4	13
Uruguay				—	1
Venezuela				1	2

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Investments, Precision AND NATIONAL DEFENSE

By Arde Bulova, *Chairman*, Bulova Watch Company

Rare indeed is the industry which does not consider itself in some ways unique.

We say we are different because our industry boasts the highest degree of precision manufacturing, and our industry's talents are essential to national defense.

Let me illustrate: The jeweled watch industry alone manufactures the only commercial consumer product made domestically that requires moving parts with tolerances ranging from one-ten-thousandth of an inch to four-one-millionths of an inch. Such tolerance can be comprehended by comparing a buckshot pellet to the Empire State Building. Complex electronic computing "brains," calling for tolerances of only thousandths of an inch, never come close to matching the 432,000 precise ticks per day of a jeweled watch movement.

Some people deplore the fact that President Eisenhower in 1954 increased the tariff on the import of watch movements, and they also express concern because government agencies and the Congress are devoting additional attention to the needs of the domestic industry.

Were this entirely a commercial debate, it would not be very important in the broad scheme of things. A company which cannot meet fair and reasonable competition, domestically or internationally, is likely to succumb. The same is true of an industry. Competition separates the men from the boys.

But, the "great watch debate" is no ordinary commercial argument. The three following large and im-

Placing tiny screws in the rim of a balance wheel for a wristwatch. The screws give the wheel perfect balance, insuring that it will oscillate accurately.

portant audiences have a stake in resolving the problem:

1. *The Investor.* Like all industries, the manufacturing watch business requires a flow of capital to keep it healthy. The investor who buys a watch manufacturing company stock—only three such companies are operating in the United States today, all listed on the New York Stock Exchange—has a natural right to hope that the organization will remain healthy and profitable; that it has that intangible but vital characteristic known as "growth potential."

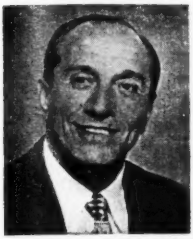
2. *The government and the defense agencies.* Responsible leaders in Washington have no good reason to be interested in how many wristwatches our industry can produce for ordinary commercial sale. But these leaders do have every reason to be interested in the fact that today—right now—*only* the manufacturing watch industry is geared up and tooled up to work in millionths of an inch tolerances required for modern war material—guided missiles, for example. Our company alone last year supplied some $27,000,000 worth of high precision defense products vitally needed for the nation's defense.

3. *The free people of the Western World.* Except for millions of unfortunates behind the Iron Curtain, people who live in countries other than the United States become increasingly aware that healthy trade between nations, not bristling militarism, is the real answer to the problems of prosperity and permanent peace. Increasingly these people want to expand and preserve trade, not to destroy it.

It is perhaps not surprising that the "watch case" has been creating headlines for years. Even now, Congress has before it proposals to further affect the imports of watch movements; importers of such movements stand opposed to domestic manufacturers; and the Office of Defense Mobilization is reviewing the whole matter. Many men of good will still wonder whether the watch business really is unique, or whether its claim of essentiality should be subordinated to the general ideas of the reciprocal trade program.

In my own approach to the matter, I ask the reader's indulgence as I turn to matters I know best—the affairs of the Bulova Watch Company. First let me speak of the oft-neglected investor. Bulova has some 4,000 individual shareholders, and management is determined to protect and support their rights. It is partly for such reason we pro-

All of Bulova's watch manufacturing activities are centered in this modern plant at Bulova Park, Long Island, New York.



Arde Bulova has been Chairman of the Board of the Bulova Watch Company since 1931.

The enterprise was founded by his father, Joseph Bulova, in 1875, as the J. Bulova Company. It was incorporated in 1911, and the present name was adopted in 1923.

Mr. Bulova joined the company that year as Financial Officer, and later was elected Treasurer. He was named Vice-President in 1930, and continued to serve as Treasurer until after his election as Board Chairman.

Mr. Bulova is a founder and trustee of the Joseph Bulova School of Watchmaking, widely known as a training center for disabled veterans, which he dedicated as a memorial to his father.

duce a full line of watches for men and women in every price range. But the production of watches alone, in today's economic world, would not be quite enough. For that reason we have sought to utilize our watchmaking and marketing skills to diversify.

We have been fortunate in launching such a program since it has a solid base in the highly skilled labor of our watchmaking business. It enabled us to move easily into producing other precision products—transistor radios and sub-miniature relays for electronic devices. Soon we will introduce a distinctive electric shaver.

This emphasis on diversification has involved us heavily in automation. We hope we are among the leaders in this field. And, we are substantial prime contractors for the armed services. We make many key components of guided missiles and we have aided in breaking the production bottle-necks caused by the conflicting requirements of the jet age — weight versus speed.

The second interested audience —the government and defense agencies—is, of course, fully familiar with our work on military matters. We created a new unit early in the Korean emergency—the Bulova Research and Development Laboratories, headed by General Omar Bradley. In its first year of operation, the Laboratory employed 12 scientists and engineers; in 1955, it employed 272.

Much of our work in that military field is of course classified. Some of our operations require work in millionths of an inch and millionths of a degree of temperature. It has already resulted in new techniques and new products: intercepting sensing devices that detect temperature changes of one millionth of a degree; rocket fuses smaller than a thimble with over 150 sub-miniature parts; tiny electro-mechanical fittings for "proximity" fuses; brain-cells for advanced weapons; and equipment

for production of basic defense materials like quartz crystals.

As for the third audience—the people of the free Western world and their leaders — Bulova takes comfort that it is and long has been importantly engaged in world trade. We are the only domestic watch manufacturing company which owns and operates watch manufacturing plants in Switzerland.

The watch industry's argument of essentiality has been well-documented, but a few facts may suffice. Our U. S. pool of skilled watchmakers dropped from some 10,000 in 1948 to under 4,000 in 1954. The Office of Defense Mobilization has said the current level of skilled workers—whose skills cannot be stockpiled — is below minimum safety levels. Domestic manufacturers have only about 17 per cent of the U. S. market, all the rest being pre-empted by Swiss imports.

Again, if this were only a commercial matter, we might simply regret our inability to compete with Switzerland. Some people point out that no industry has a monopoly on "know-how" and that other industries—makers of cameras, radios, airplanes and electronic devices—could "easily tool up" to manufacture precision defense items even if the watch industry should disappear.

This represents an absolute error. Other industries could tool up to make the kinds of things we manufacture, *but it takes years to train* a watch worker of the highest skills. If the bombs began to fall, would we have such time? The answer is clearly no.

The most striking proof of the importance of the watch manufacturing industry to economic strength and military security is illustrated by the jeweled watch production of other nations.

Great Britain's watch production, virtually extinct in the 30's, was deliberately revived in 1944 as a result of the wartime recognition of the premium on labor skills in such high-precision instruments. The French government has stated that the horological industry is essential to national defense.

Russian production of watch movements and clocks jumped from 7.6 to 19.7 million units from 1950 to 1955; goal 1960—33.6 million. In 1947, the four U. S. companies produced 2.3 million jeweled watch movements; in 1954 only 1.7 million.

In summary, I believe in a major trend towards greater precision and time-consciousness in our civilian and defense industries that indicates an increasing demand for watches and precision products. Bulova is singularly fortunate in having the flexibility of plants both here and abroad.

We will continue to do everything in our power to keep a manufacturing watch industry in the United States as a necessary element for our national defense.

In this program, we feel we will be doing the greatest service to stockholders, employees, customers and the whole economy.

10 LEADERS

IN LISTED SHARES

GENERAL MOTORS CORPORATION had more shares of common stock—279,079,000—listed on the New York Stock Exchange than any other company when the first quarter of 1956 ended.

The giant automobile manufacturer also held the top spot a year earlier, but would have been displaced this year had it not split the common 3-for-1 last November.

Standard Oil Company (New Jersey)—whose common was also split 3-for-1 in March of this year—moved into second place, with 196,306,000 shares, displacing General Electric, which had 86,916,000.

The table below cites the 10 companies with the largest number of listed common shares on March 31.

Of the top 10, two—Sears, Roebuck and U. S. Steel—were not so ranked at the close of the initial 1955 quarter. Sears' listed share increase resulted from a 1 per cent stock dividend in November, 1955, and a 3-for-1 split the following month; while U. S. Steel was split 2-for-1 last June.

The two companies displaced were Union Carbide & Carbon and Texas Company.

Further Splits

California Standard will be split 2-for-1 soon, and Socony Mobil will be split 5-for-4.

For the 10 companies combined, listed common shares on March 31, 1956, totaled 891,510,000. This represented an increase of 82 per cent over the combined total of their listed common shares a year earlier, a gain of 156 per cent over five years before and a rise of 298 per cent over ten years earlier.

10 COMPANIES WITH LARGEST NUMBER OF LISTED COMMON SHARES

	Common Shares Listed as of March 31			
	1956	1955	1951	1946
	— in thousands of shares —			
General Motors Corp.	279,079	92,895	88,209	44,104
Standard Oil (N. J.)	196,306	65,433	30,286	27,334
General Electric Co.	86,916	86,686	28,846	28,846
Sears, Roebuck & Co.	73,928	24,290	23,647	23,593
American Tel. & Tel.	55,166	50,236	29,373	20,291
U. S. Steel Corp.	53,542	26,601	26,110	8,703
E. I. duPont de Nemours & Co.	45,604	45,604	45,175	11,122
Socony Mobil Oil Co.	35,512	35,512	32,332	31,708
Standard Oil of Indiana	33,845	32,479	15,285	15,285
Standard Oil of Calif.	31,612	30,107	28,673	13,004

RECORD First Quarter Dividends

OWNERS of common stocks listed on the New York Stock Exchange were paid $2,025,420,230 in cash dividends during the first three months of 1956.

These payments represented:

- A record high for any first quarter.
- The first time that the $2-billion-mark was attained in any quarter of any year except for the final 1955 quarter.
- A whopping increase of 22.1 per cent over cash common dividends paid by the same companies in the corresponding period of 1955.
- The fourteenth year in succession that payments in the first three months increased over the same period of the preceding year.

Of the 1,081 common stocks listed on the "Big Board" at the close of the initial 1956 quarter, 897, or 83 per cent, paid cash dividends during the first three months.

More than half of the 897 first quarter dividend-payers—459, to be exact — disbursed a larger amount in the three months than they did in the same 1955 quarter.

Of the remaining issues, 398 paid the same amount in the first three months of both years, and 40 paid less this year. In the accompanying table, the total of 58 under the heading "less" includes 18 common stocks which paid no cash dividends in the first three 1956 months but which did pay in the corresponding 1955 quarter.

Only one of the 27 industrial classifications — shipbuilding and operating, which reported a decrease of 28.3 per cent—made smaller dividend payments in the first quarter than those paid a year earlier.

Largest Gains

Proportionately, the largest gains were 64.7 per cent by mining industry issues, 42.1 per cent by automotive industry issues and 40 per cent by steel and iron industry common stocks.

Seven other groups — building trades, chemical, financial, paper and publishing, textiles, tobacco and U. S. companies operating abroad—each registered gains in excess of 20 per cent.

In dollars, the largest disbursements were $353,675,380 by utility

common stocks—which lead all classifications in the number of listed issues—$296,953,630 by petroleum and natural gas shares and $225,736,100 by chemical issues. Total cash dividends paid by these three groups for the quarter—$876,365,110—accounted for nearly 43 per cent of all common payments.

The three groups which accounted for the smallest share of the record-breaking first quarter cash dividend figure were shipbuilding and operating, leather and leather products and real estate. The combined cash payments for these three groups—$16,748,720—were less than 1 per cent of total dividends.

Only one of the 27 groups—the rubber industry—had a perfect record in the first quarter. All 9 rubber issues paid dividends.

The largest number of non-dividend-payers during the first 1956 quarter was 24 railroad & railroad equipment common stocks.

Cash Dividends on N. Y. S. E. Listed Common Stocks

First Quarter 1956 vs. First Quarter 1955

	Listed 3/31/56	Number Paying 1st Q. 1956	More	Same	Less	Total Payments 1st Quarter 1956	Pct. Change
Aircraft	29	24	13	8	3	$ 29,854,320	+14.5
Amusement	25	22	9	12	1	23,527,320	+14.9
Automotive	65	51	30	19	4	184,619,650	+42.1
Building Trades	31	29	17	10	2	22,961,340	+23.5
Chemical	86	74	41	30	6	225,736,100	+30.8
Electrical Equipment	25	18	6	10	3	65,625,500	+18.4
Farm Machinery	6	4	3	1		16,253,850	+17.6
Financial	37	26	15	9	2	41,429,910	+35.6
Food Prods. & Beverages	72	60	26	33	2	62,970,030	+ 9.9
Leather & Leather Products	10	8	3	5		6,233,800	+ 4.6
Machinery & Metals	107	96	42	45	11	75,185,510	+15.5
Mining	39	27	18	9		76,936,270	+64.7
Office Equipment	9	8	7	1	1	9,430,680	+13.8
Paper & Publishing	40	35	15	20		42,697,140	+21.7
Petroleum & Natural Gas	50	42	25	16	3	296,953,630	+19.8
Railroad & R.R. Equipment	82	58	19	37	2	121,996,290	+18.5
Real Estate	9	8	5	3		4,814,800	+14.9
Retail Trade	68	59	23	30	7	105,623,800	+ 1.2
Rubber	9	9	7	2		19,161,230	+17.1
Shipbuilding & Operating	9	7	1	5	3	5,700,120	—28.3
Steel & Iron	39	34	27	4	3	110,060,960	+40.0
Textile	43	34	16	18		21,499,100	+39.9
Tobacco	15	13	6	7		31,907,760	+23.3
Utilities	109	105	63	42		353,675,380	+15.0
Miscellaneous Businesses	24	19	10	8	4	14,023,880	+ 8.0
U. S. Co.'s Oper. Abroad	23	13	5	7	1	15,753,750	+23.4
Foreign Companies	20	14	7	7		40,788,110	+13.9
Totals	1,081	897	459	398	58	$2,025,420,230	+22.1

50 MIP FA

In the first quarter of the current year—a period in which public demand for the Monthly Investment Plan increased sharply—Sperry Rand Corporation was the common stock most popular with pay-as-you-go investors.

On a cumulative basis, however, General Electric is still the favorite MIP stock.

In the month of March alone, the daily average of new MIP Plans started increased to 146—highest since January, 1955—from the February daily average of 124 and the January figure of 118.

64% Increase

The number of MIP Plans for Sperry Rand increased by nearly 64 per cent during the first three months to 1,052 from only 643 when 1955 ended. In the same period, the number of MIP investors making periodic purchases of General Electric increased by only 6.4 per cent to 2,720.

The table on the next page shows the 50 favorite MIP stocks on March 29, 1956, as well as the number of Plans in effect for each issue.

Of the top 10 in the table, the largest increases in Plans put into effect during the first 1956 quarter —in addition to Sperry Rand— were 26.3 per cent for Standard Oil (New Jersey), 20 per cent for General Motors, 10.5 per cent for E. I. du Pont and 9.4 per cent for Union Carbide & Carbon.

In all, 41,412 MIP Plans were in effect at the end of March. If these are all completed, the total investment will amount to $107 million.

Inaugurated late in January, 1954, by members of the Stock Exchange, the Monthly Investment Plan is designed to give more people a way to invest out of income on a pay-as-you-go basis. Participants in the Plan may invest as little as $40 a month or a quarter. Stock is bought by the dollar's worth, permitting the investor to take advantage of dollar cost averaging. The Plan is non-contractual; no penalties or service charges are involved; and no credit is employed.

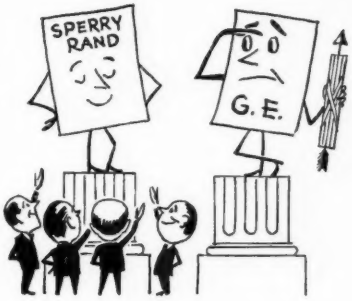
Record Figure

Of the Plans now in effect, 83.4 per cent—a record high figure—are reinvesting dividends automatically.

One of the most impressive phases of this new investment technique has been the fact that, by and large, MIP investors have selected highly-regarded common stocks, most of which have performed well in the stock market:

Of the 50 favorites in the accompanying table, 40—or 80 per cent —advanced in market price during the 12 months ended March 29, 1956. One showed no change, and

P FAVORITES



9 declined. Compared with market quotations on January 25, 1954—the date MIP was inaugurated—all 50 favorites showed market price advances at the end of March.

Both Aluminum Company of America and Reynolds Metals rose more than 100 per cent in market value during the year ended March 29, 1956.

Price gains of 50 per cent or more were registered during that year by Standard Oil (New Jersey), Gulf Oil, Minnesota Mining & Manufacturing, U. S. Steel and Dow Chemical.

More than a score of others registered market price advances of better than 20 per cent in the same 12-month period.

MOST POPULAR MIP STOCKS ON MARCH 29, 1956

Name of Stock	Number of Plans
General Electric	2,720
General Motors	1,933
Radio Corp.	1,696
Dow Chemical	1,623
Standard Oil Co. (N. J.)	1,324
Amer. Tel. & Tel.	1,201
Sperry Rand Corp.	1,052
Tri-Continental Corp.	893
duPont de Nemours	764
Union Carbide & Carbon	557
Westinghouse Electric	520
Gulf Oil Corp.	505
American Airlines	496
U. S. Steel	422
Lehman Corp.	419
Olin Mathieson Chemical	406
Monsanto Chemical	400
National Biscuit	400
Pacific Gas & Electric	358
Carrier Corp.	339
Eastman Kodak	328
Phillips Petroleum	326
Long Island Lighting	307
Sears, Roebuck	284
Canadian Pacific Ry.	280

Name of Stock	Number of Plans
Motor Products	277
Consolidated Edison	276
American Can	276
American Cyanamid	266
Socony Mobil Oil Co.	261
Aluminum Co. of America	259
Standard Oil of California	249
Southern Co.	247
Detroit Edison Co.	230
Columbia Gas System	227
Reynolds Metals	209
Sunray Mid-Continent Oil	209
General Dynamics	208
Int'l Nickel of Canada	208
Aluminium Limited	202
Public Service Elec. & Gas	199
Sylvania Electric Products	199
Int'l Business Machines	197
Commonwealth Edison	192
Greyhound Corp.	184
Sinclair Oil	183
Safeway Stores	182
Scott Paper	179
United Fruit	179
Minnesota Mining & Mfg.	177

THE STOCK MARKET—*Sid*

By William D. Hor

THE Exchange recently undertook a study of sudden, one-day fluctuations in the stock market to see what kind of pattern emerged —to find out, if possible, the kind of news to which the market was most sensitive and to determine the relationship, if any, between sudden sharp price swings and the market's main trend.

The study produced reasonably conclusive answers to each question. And, somewhat as a by-product, an answer shaped up to a perennially intriguing question: Has the stock market become more stable—or more volatile? The answer, while not wholly conclusive, may have more significance than the original purpose of the study.

Criterion for a substantial advance or decline was a day-to-day change of 2 per cent or more in the Dow-Jones average of 30 industrial stocks. The percentage change was computed on the basis of the net change in that average from the close one day to the close the next day. Reasons for the market's action were as reported by the financial press.

The period studied ran from January 1, 1935 to December 31, 1955. Throughout this report, "the mar-

The table below tabulates the number of days e declined two per cent or more. Also shown are the the end of each year and the percentage gain o

Year	Declines	Advances	Total
1935	5	4	9
1936	8	5	13
1937	25	14	39
1938	23	35	58
1939	15	11	26
1940	11	5	16
1941	4	1	5
1942	3	0	3
1943	3	0	3
1944	0	0	0
1945	1	0	1
1946	12	8	20
1947	2	1	3
1948	5	2	7
1949	0	0	0
1950	7	1	8
1951	0	0	0
1952	0	0	0
1953	1	0	1
1954	1	1	2
1955	6	2	8
Totals	132	90	222

—Sidelights on Stability

lliam D. Horgan

ket" refers to the Dow-Jones industrial average.

Here are the conclusions:

¶ First (the by-product), the market, *on a day-to-day basis*, seems to have gradually become more stable over the past two decades. There is some evidence, too, that the market's *annual* price movements have become less pronounced. This trend becomes even more apparent when the market's action is traced back to 1920.

¶ Second, it is a truism that on any particular day in the stock market neither all sellers nor all buyers are motivated by the same reason. Often, though, there is one news development which has a strong impact on the price trend.

There appears to be little question that the market was more sensitive to news inherently or potentially unfavorable to the market than to favorable developments. To put it another way, the market found it easier, during the 21-year period studied, to decline suddenly than to advance.

This same sensitivity, of course, applies to virtually every kind of property, particularly when the property is highly liquid—witness the response of a commodity market to a crop report or, on a vaster scale, the flight of capital out of Europe during the rise of Hitler.

In some cases the sensitivity of

ber of days each year the market advanced and shown are the Dow-Jones industrial average at ntage gain or loss during the year.

Total	Year-End D-J Average	Annual Change
9	144.13	up 38.5%
13	179.90	up 24.8%
39	120.85	— 32.8%
58	154.76	up 28.1%
26	150.24	— 2.9%
16	131.13	— 12.7%
5	110.96	— 15.4%
3	119.40	up 7.6%
3	135.89	up 13.8%
0	152.32	up 12.1%
1	192.91	up 26.6%
20	177.20	— 8.1%
3	181.16	up 2.2%
7	177.30	— 2.1%
0	200.13	up 12.9%
8	235.41	up 17.6%
0	269.23	up 14.4%
0	291.90	up 8.4%
1	280.90	— 3.8%
2	404.39	up 44.0%
8	488.40	up 20.8%
222		

the stock market seemed to be a form of defense against a sudden development which defied immediate interpretation or analysis.

¶ Third, there was little correlation between pronounced or even violent brief fluctuations and the market's long-term trend—nor did the absence of such sudden changes influence the basic trend.

Let's look at the facts behind the first conclusion — the increased stability of the market.

Percentage changes in the market, rather than *point* changes, were used as a gauge of stability because of the wide range over which the D-J industrial average has moved in the past two decades and the relatively high level of the average toward the end of the period studied. In 1935, for instance, the average at one time dropped below 100 while at the end of 1955 it stood at close to 500. Thus, with the average at 100, a five-*point* change represents a five *per cent* change—but with the average at 500, a five-*point* change is a one *per cent* change.

222 Changes

There were a total of 222 day-to-day changes of 2 per cent or more in the market during the 21-year period. High for any one year was 58 in 1938, followed by 39 in 1937 and 26 in 1939.

In the decade 1940 to 1949 inclusive, the high was 20 in 1946, followed by 16 in 1940 and 7 in 1948.

In 1950 there were eight changes

of 2 per cent or more, none in 1951 and 1952 and one in 1953. In 1954, when the market rose 44 per cent, there were only two 2 per cent changes. And in 1955, when the market advanced 20.8 per cent and volume was the largest since 1933, there were eight 2 per cent changes.

Now, Conclusion No. 2—unfavorable news versus favorable.

In some cases, and this will probably come as no surprise to veteran investors, the market advanced or declined sharply for no single reason that could be pinpointed. And some large changes were interpreted merely as technical corrections to sharp advances or declines.

After eliminating 46 dates when there was no outstanding news or when the market appeared to be affected mainly by technical factors, the market's action could be linked on 176 dates with a specific development or expectation. On 67 of these days the market advanced under the impetus of news interpreted to be favorable from a market standpoint. But on the remaining 109 days the market declined under the weight of news interpreted as unfavorable, a ratio of almost two to one on the side of unfavorable news.

Advances were attributed to such

developments as election results, elimination of meat price controls, rumors of a margin cut—declines to a Presidential message to Congress, election results and price legislation, among others.

The market's reaction to the initial impact of war news was almost always downward. In the case of 58 changes of 2 per cent or more in the 21-year period the major news factor was war or war fears. On 51 of those days the market declined. The seven advances—in September and October, 1939 and June, 1940—were attributed to belief or hope the United States would not get involved in a shooting war but foreign demand would stimulate armament output here.

President's Illness

One of the sharpest responses credited to spot news was the plunge which followed announcement of President Eisenhower's heart attack. Prior to September 26, 1955, the market's trend had dramatically reflected investor appraisal of a number of economic considerations, among them business conditions, earnings and dividends, prospects for the future—and a Federal administration widely regarded as sympathetic to the problems of business and industry. These factors all added up to market confidence, and confidence was shocked by the President's illness.

Now, Conclusion No. 3—lack of relationship between large fluctuations and the market's long-term trend. The market's main trend in

1955 was decisively upward. Yet that year the market fell 2 per cent or more on six days; advanced 2 per cent or more only two days.

Again, in 1954 the market scored one of the largest year-to-year gains in modern market history. Yet the market that year registered only two changes of 2 per cent or more—one up and one down. And back in 1935 and 1936, the market also thrust ahead—yet in each year the market declined 2 per cent or over more often than it advanced.

1937 Market

In 1937 the market lost a good deal of ground. It declined 2 per cent or more on 25 days. That same year, though, the market advanced 2 per cent or more on 14 days. In 1950, a year in which the market rose considerably, the market advanced 2 per cent or more on just one day but declined 2 per cent or more on seven days.

Despite the market's reflex action to shock treatment, it seems reasonable to conclude that the underlying trend is influenced more by deep-seated economic factors—plus the intangible but weighty factor of confidence. And the market may show great strength over an extended period without the help of sporadic buying splurges.

CESSNA AIRCRAFT LISTED

CESSNA AIRCRAFT COMPANY — whose 731,109 shares of $1-par value common stock (ticker symbol: CSN) were listed on the Stock Exchange some weeks ago— is a well-known producer of small civilian planes and of jet trainers for the Air Force.

Last fall, the company made the first delivery to the Air Force of its twin-jet trainer, the T-37. The plane proved so satisfactory that the company received a $13,-000,000 contract for such planes.

In the private flying field, Cessna reports that it built 39.5 per cent of all private planes made in this country last year. The company's most popular civilian plane is the Model 170, a four-place, single-engine aircraft priced at $8,295. More than 5,000 of these models have been sold since production started in 1947.

The use of executive-type planes by business concerns has shown a rapid growth in recent years. Today, such planes account for more flying hours than all the country's scheduled airlines combined. Some 7,000 United States firms now operate approximately 12,000 aircraft.

Cessna has two aircraft manufacturing plants in Wichita Falls, Kansas, as well as another plant at Hutchinson, Kansas, where it produces hydraulic systems for farm machinery and other equipment. The company's commercial aircraft production averages 13½ units daily.

Sales and Service

Cessna planes are sold by 156 distributors and dealers throughout the country. In addition, the company has 37 sales and service representatives in foreign countries, including Latin-America and the principal cities of Europe.

For the fiscal year ended September 30, 1955, Cessna's sales and profits were the largest in the company's 30-year history. Net sales soared to $50,001,400 from $45,-114,489 in the preceding 12 months; while net income rose to $2,839,000, or $3.88 a common share, from $2,175,000, or $2.97 per share.

Common dividends have been paid in each of the last 16 years. Payments in 1955 totaled 75 cents a common share. On February 17, 1956, a payment of 25 cents a share was made, and a dividend of 35 cents will be paid on May 14.

Cessna has 3,453 common share owners.

A CHECK-UP

IN August, 1953, THE EXCHANGE Magazine published three common stock portfolios—each containing 100 shares of each of three listed issues—which would have given the investor a dividend check of $50 in every single month of 1952 because the stocks in each portfolio paid quarterly dividends in different months.

In the belief that readers may find it interesting to check up on the performances of these three portfolios in 1953, 1954 and 1955, they are reproduced in the accompanying tables.

As the figures show, an investor who owned any one of them would have continued to receive a dividend check every month.

Monthly Checks

However, some of these monthly checks would have been larger—and some would have been smaller—than those received in 1952.

The market value of all three portfolios, though, was higher recently than at the end of 1951. This is in line, of course, with the upward trend of the stock market in the past few years.

The smallest average *monthly* dividend check in any of the four years would have been $46.67 in each month of 1954 from Portfolio No. 1. Such an average, of course,

would have been only $3.33 less than the standard of $50. The largest average *monthly* dividend would have been $58.33—or $8.33 above the standard—in each month of 1955 from Portfolio No. 3.

Of the three portfolios, No. 2—which required an original investment higher than one and lower than the other of the three—made the best showing in the last three years—both in respect to return on investment and capital appreciation.

For his late 1951 investment of $9,701, the owner of Portfolio No. 2 would have received dividend income equivalent to a return of 6.2 per cent on his investment in 1952; 6.4 per cent in 1953 and 1954; and 6.7 per cent in 1955. And, the recent market value of his holdings would have risen 47.4 per cent above cost. Much of this showing was accounted for by Socony Mobil Oil which paid

larger dividends than in 1952 in each of the three following years and rose sharply in market price.

Portfolio No. 3—which required the largest investment, $11,188, late in 1951—brought dividend income of 5.3 per cent in 1952 and 1953; 5.6 per cent in 1954; and 6.2 per cent in 1955. The portfolio's market value recently was 24.1 per cent higher than cost.

Yield Drops

The only one of the three portfolios showing a return on investment in any of the past three years smaller than in 1952 was No. 1. On his late 1951 investment of $8,225, the owner would have received a yield of 7.3 per cent in 1952 and 1953; 6.8 per cent in 1954; and 6.9 per cent in 1955. Market value of this portfolio recently was 23.4 per cent above cost.

Of the nine stocks appearing in the three portfolios, only one reduced its annual dividend payments in any of the past three years, and only one was selling recently below its late 1951 market price.

The issue which reduced its common payments was Arvin Industries. After annual payments of $200 in 1952 and 1953, the 1954 payment was lowered to $160 but then was increased to $170 in 1955.

The only common stock in the three portfolios recently selling below its market price late in 1951 was Adams-Millis. The market value of 100 shares of that issue last month was $3,013, a decline of $812, or 21.2 per cent, from the 1951 price.

In addition to Socony Mobil, other companies which boosted annual dividend payments were

COMMON STOCK PORTFOLIO No. 1

Stock	Cost of 100 Shares Late in 1951*	Recent Value**	Dollar Change	Pct. Change	Annual Cash Dividend Income on Shares Owned 1952	1953	1954	1955
Arvin Industries.	$2,700	$ 2,938	+$ 238	+ 8.8	$200	$200	$160	$170
National Biscuit.	2,975	3,788	+ 813	+27.3	200	200	200	200
Reading Co.	2,550	3,425	+ 875	+34.3	200	200	200	200
Totals	$8,225	$10,151	+$1,926	+23.4	$600	$600	$560	$570

* Based on the mean of the high and low prices for the week of Dec. 22-28, 1951.
** Closing prices 4-13-56; if no sale, mean of Bid and asked.

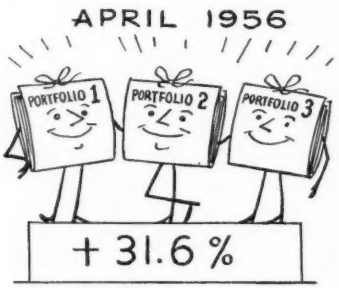
COMMON STOCK PORTFOLIO No. 2

Stock	Cost of 100 Shares Late in 1951*	Recent Value**	Dollar Change	Pct. Change	Annual Cash Dividend Income on Shares Owned 1952	1953	1954	1955
Best & Co.	$2,775	$ 3,300	+$ 525	+ 18.9	$200	$200	$200	$200
Int'l. Harvester	3,488	3,550	+ 62	+ 1.8	200	200	200	200
Socony Mobil Oil(1)	3,438	7,450	+ 4,012	+116.7	200	225	225	250
Totals	$9,701	$14,300	+$4,599	+ 47.4	$600	$625	$625	$650

* Based on the mean of the high and low prices for the week of Dec. 22-28, 1951.
** Closing prices 4-13-56; if no sale, mean of Bid and Asked.
(1) Formerly Socony-Vacuum Oil Co.; present name adopted in May, 1955.

Sterling Drug, which increased disbursements in 1954 and 1955, and Southern California Edison, which put an increase into effect last year.

It is interesting to note that not one of the nine common stocks paid a stock dividend or voted a split in 1952-1955 inclusive.



How would an investor have fared if he purchased 100 shares of each of the nine stocks toward the close of 1951?

Such an investment would have amounted to $29,114. The annual return would have been 6.2 per cent in 1952; 6.3 per cent in 1953; 6.2 per cent in 1954 and 6.5 per cent in 1955.

Based on mid-April prices, the market value of the investment would have risen to $38,340, an appreciation of 31.6 per cent.

The reader should clearly understand that this article is in no way intended as a recommendation to purchase any of the nine stocks cited in the three portfolios.

COMMON STOCK PORTFOLIO No. 3

Stock	Cost of 100 Shares Late in 1951*	Recent Value**	Dollar Change	Pct. Change	Annual Cash Dividend Income on Shares Owned 1952	1953	1954	1955
Adams-Millis	$ 3,825	$ 3,013	—$ 812	—21.2	$200	$200	$200	$200
So. Calif. Edison	3,425	5,138	+ 1,713	+50.0	200	200	200	230
Sterling Drug	3,938	5,738	+ 1,800	+45.7	200	200	225	270
Totals	$11,188	$13,889	+$2,701	+24.1	$600	$600	$625	$700

* Based on the mean of the high and low prices for the week of Dec. 22-28, 1951.
** Closing prices 4-13-56; if no sale, mean of Bid and asked.

31 BILLIONAIRES

MEMBERSHIP in the select group of listed domestic companies having annual sales or revenues of $1 billion or more reached a new high at 31 in 1955.

This compared with 26 the year before, 29 in 1953 and 27 in 1952.

Six companies gained admission last year, and one dropped out.

Most notable of the new members was Ford Motor Company. It not only gained admission but, in the process, displaced American Telephone & Telegraph Company from third place. Radio Corporation was another company which qualified for the first time.

Four Rejoiners

Four of the other companies—Republic Steel, Union Carbide & Carbon, International Harvester and Firestone Tire & Rubber — were really returned to membership. They had qualified in 1953, but fell short in 1954.

The listed company which dropped out was Boeing Airplane Company, whose 1955 sales decreased to $853.8 million from $1,033 million in 1954.

Because it is not a domestic enterprise, one listed company — Royal Dutch Petroleum—is excluded from the table, even though its 1955 sales—converted into dollars—exceeded $3 billion.

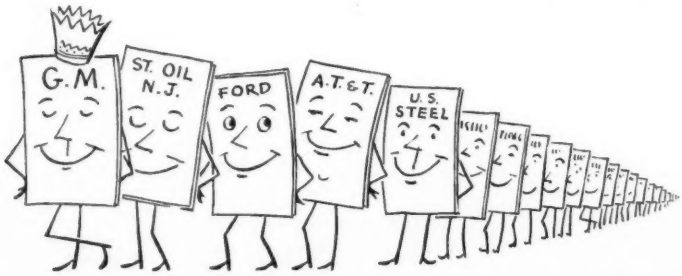
Fiscal Years

For some of the 31 tabled companies, both sales and profits are for the fiscal, rather than the calendar, years 1955 and 1954. Cash common dividend payments shown for all companies, however, are those paid in the two latest full calendar years.

General Motors, with 1955 sales well above $12 billion, continued its unchallenged position of leadership last year, and Standard Oil Company (New Jersey) again held second place.

Although Ford ousted A. T. & T. from the third spot, the Bell System, in fourth place, continued ahead of U. S. Steel, in fifth.

Chrysler moved up to sixth place



in 1955 from eighth place in 1954.

Of the 31 companies, 26 registered gains in both sales and profits last year over 1954. Only one of the other five companies—Westinghouse Electric, which went through a long strike that continued well into 1956 — reported declines in both sales and profits last year. Both Swift & Company and Armour & Company had smaller *sales* in 1955 than in 1954; while both Safeway stores and Kroger Company reported smaller *profits* last year than for the previous year.

Perhaps it should be mentioned that many of the 31 companies paid out far larger sums to employes in salaries and wages than the amount of their reported net profits. For instance, General Motors' 1955 payroll soared to a new high at $3,127.1 million from $2,610.2 million the year before.

LISTED DOMESTIC COMPANIES WITH 1955 SALES OR REVENUES OF $1 BILLION OR MORE

	1954 Rank	Sales or Revenues 1955	Sales or Revenues 1954	Net Profit 1955	Net Profit 1954	Per Share Common Cash Divs. Paid 1955	Per Share Common Cash Divs. Paid 1954
		—in millions—		—in millions—			
General Motors Corp..	1	$12,443.3	$9,823.5	$1,189.5	$806.0	$2.17a	$1.67a
Standard Oil (N. J.)..	2	6,272.4	5,661.4	709.3	584.8	1.76a**	1.52a**
Ford Motor Co. #....	#	5,594.0	4,062.3	437.0	227.8	3.27a	1.70a
American Tel. & Tel.	3	5,297.0	4,784.5	664.2	549.9	9.00	9.00
U. S. Steel Corp.....	4	4,097.7	3,250.4	370.1	195.4	2.15a	1.50a
Chrysler Corp.	8	3,466.2	2,071.6	100.1	18.5	4.00	4.50
Sears, Roebuck & Co.	5	3,306.8	2,965.4	158.8	141.3	0.99a	1.01a
General Electric Co...	6	3,095.4	2,959.1	200.9	198.9	1.60	1.47a
Swift & Co.	7	2,404.1	2,510.8	22.9	19.1	2.50	3.00
Bethlehem Steel Corp..	14	2,096.6	1,656.8	180.2	132.8	7.25	5.75
Armour & Co.	9	1,967.7	2,056.1	10.1	1.6	—	—
Safeway Stores, Inc...	10	1,932.2	1,813.5	13.6	14.0	2.40	2.40
du Pont de Nemours..	12	1,909.2	1,687.6	431.6	344.4	7.00	5.50
Gulf Oil Corp.	11	1,895.7	1,705.3	218.1	182.8	2.16a	1.85a
Standard Oil Co. (Ind.)	13	1,781.3	1,660.3	157.1(1)	117.2	1.40(2)	1.25a(2)
Texas Co.	17	1,767.3	1,574.4	262.7	226.1	4.25	3.75
Socony Mobil Oil Co...	16	1,721.0	1,608.7	207.4	183.8	2.50	2.25
Shell Oil Co.	18	1,484.1	1,312.1	125.5	121.1	2.00	1.88a
Westinghouse Electric.	15	1,441.0	1,636.2	42.8	79.9	2.00	2.50
Goodyear Tire & Rub..	23	1,372.2	1,090.1	59.7	48.1	2.00	1.63a
Stand. Oil Co. of Cal..	20	1,277.8	1,113.3	231.1	211.9	2.86a	2.75a
National Dairy Prods..	19	1,260.2	1,210.3	40.3	37.4	1.60	1.55a
J. C. Penney Co.....	22	1,220.1	1,107.2	46.1	43.6	3.95	3.50
Kroger Co.	21	1,219.5	1,108.7	14.4	14.9	2.00	2.00
Republic Steel Corp...	—	1,188.6	846.3	86.3	52.9	2.50a	2.44a
Union Carb. & Carb...	—	1,187.2	923.7	140.8	89.8	3.00	2.50
International Harvester	—	1,165.8	994.1	55.5*	36.3*	2.00	2.00
Firestone Tire & Rub...	—	1,114.9	916.0	55.4	40.5	2.50a	1.88a
Sinclair Oil Corp.....	26	1,110.1	1,021.5	80.7	74.6	2.70	2.60
American Tob. Co.....	24	1,090.8	1,068.6	51.7	43.1	4.40	4.40
Radio Corp. of Amer..	—	1,055.3	941.0	47.5	40.5	1.35	1.20

(1)—Includes $9,235,000 non-recurring net profit from sale of an interest in certain producing properties. (2)—Plus stock in another issue.
*—Before Depreciation. #—Admitted to trading on the New York Stock Exchange 3/7/56.
**—Adjusted for 3-for-1 stock split in March, 1956. a—Adjusted for stock dividends or splits.

Chemical Producer Joins List

Metallic soaps, glycerine and other chemicals are produced by Harshaw at this plant in Gloucester City, N. J.

THE Harshaw Chemical Company, a newcomer to the Stock Exchange list, produces industrial chemicals for many businesses.

The company's 959,248 shares of $5-par value common stock (ticker symbol: HCM) were admitted to trading March 28.

Harshaw has plants in Cleveland and Elyria, Ohio; Gloucester City, N. J.; and Hastings-on-Hudson, New York. It recently completed a $500,000 research laboratory in Cleveland to improve its present products and develop new ones.

Company products include:

Chemicals for electroplating metallic surfaces with nickel, chromium and other materials—used in the automotive and allied industries.
Hydrofluoric acid and its compounds—used in the metal, glass, petroleum and steel industries, and in the atomic energy program.
Catalysts used in refining gasoline; manufacturing synthetic rubber; in plastics, resins, foods and synthetic organic chemicals.
Chemical colors for brick, tile, enamelware, glass and pottery.
Chemicals for flame-proofing fabrics and paints.
Driers and pigments used in manufacturing paints, varnishes, floor coverings, plastics and inks.
Synthetic optical crystals used in laboratory devices.
Organic fine chemicals, dyes and pigments.

Since World War II ended, the company says, sales have tripled.

For the fiscal year ended September 30, 1955, both sales and profits reached record highs. Net sales rose to $60,879,000 from $53,641,000 in the previous 12 months; while net income increased to $2,501,000, or $2.54 each on the common shares now outstanding, from $1,614,000, or $1.93 a share, in fiscal 1954.

First Quarter

In the first quarter of the current fiscal year—the three months ended December 31, 1955—sales rose to $16,062,000 from $13,687,000 a year earlier, and net income improved to $543,542 from $506,761.

Harshaw Chemical has paid dividends on its common stock every year since 1900. In calendar 1955, payments were equivalent to 80 cents a share on the common shares outstanding after a 2-for-1 split in January of this year. On March 12, 1956, the company's 4,900 common share owners received a dividend of 25 cents a share.

Financial Term Origins

KNOW how Wall Street got its name? That's easy, you say, there must have been a wall there at some time. Actually the name comes from the palisade of wood that the Dutch built 300 years ago to protect their struggling community of New Amsterdam from the Indians living on the more northern parts of Manhattan Island.

Other words heard every day in and around the Stock Exchange have tales behind them that often are as picturesque.

Let's start with stocks and bonds.

Anything Stored

Stock is derived from the Anglo-Saxon *stocc*, which meant both a tree trunk and a stick. Wood had to be stored for the winter, often in a tree trunk, and in time anything stored came to be known as stock—cattle, merchandise in a shop, or shares in a corporation.

Bond is simply a variation of the Middle-English word *band*, meaning a fastening. He who issues a bond is "bound" to pay it back to its holder.

Today's broker has a past that may raise your eyebrow. The word comes from Old French for the person who broaches a cask to draw off the liquid. The broker at first was a retailer of wine; later, in the Sixteenth century, one who dealt in second-hand goods.

Security comes directly from the Latin *securus*, which splits into *se*, meaning free from, and *cure*, meaning care.

A capitalist is a derivative of capital, which comes from the Latin *caput*, for head. The word is linked with cattle for originally a man's wealth was measured in the number of cattle he owned, and cattle were counted by the head.

The bucket shop—run by the fellow who pocketed the money you gave him to buy stocks, then gambled on his ability to buy them for you at a lower price and keep the difference—comes from free-wheeling times in Chicago. On slow days at the Board of Trade, small men would be carried from the street to the trading floor in elevators known as buckets.

Bulls and Bears

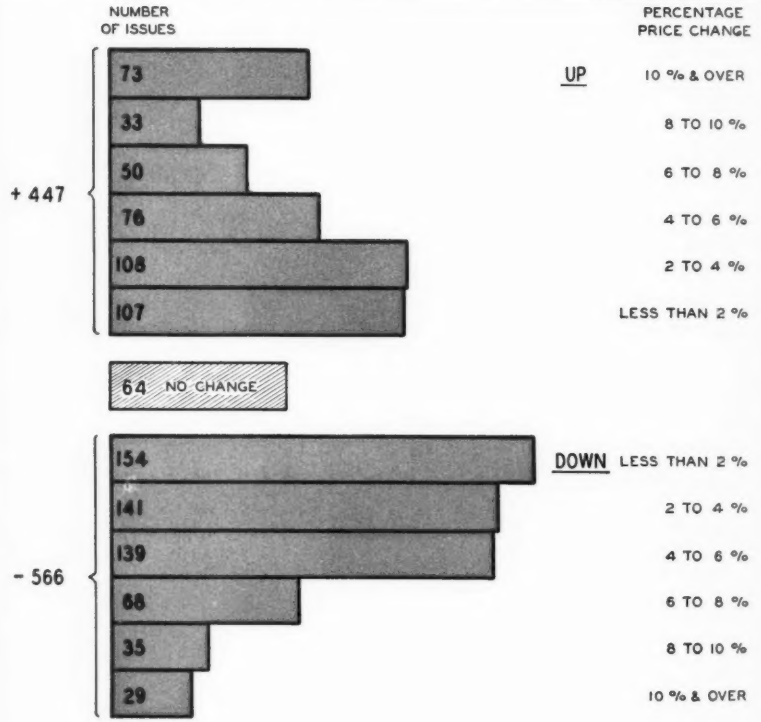
How about bears and bulls?

Today's bears can trace their name to the days of England's notorious South Sea Bubble, which ruined thousands when it burst in 1720. Gamblers would sell bear skins before the bears themselves had been trapped. Like the current crop, they hoped a falling market would bring profits.

And the bulls, with their hopes that things will go up? They can blame their name on the male bovine's habit of tossing things into the air with a sudden upward movement of its horns.

CHANGES IN PRICES OF LISTED COMMON STOCKS

DISTRIBUTION OF 1077 NYSE ISSUES BY PERCENTAGE PRICE CHANGE IN MONTH ENDED APRIL 13, 1956



DOW-JONES 65-STOCK AVERAGE		STANDARD & POOR'S 90-STOCK INDEX
179.81	MAR. 15	381.1
180.35	APR. 13	380.8
+0.3 %	CHANGE	-0.1 %